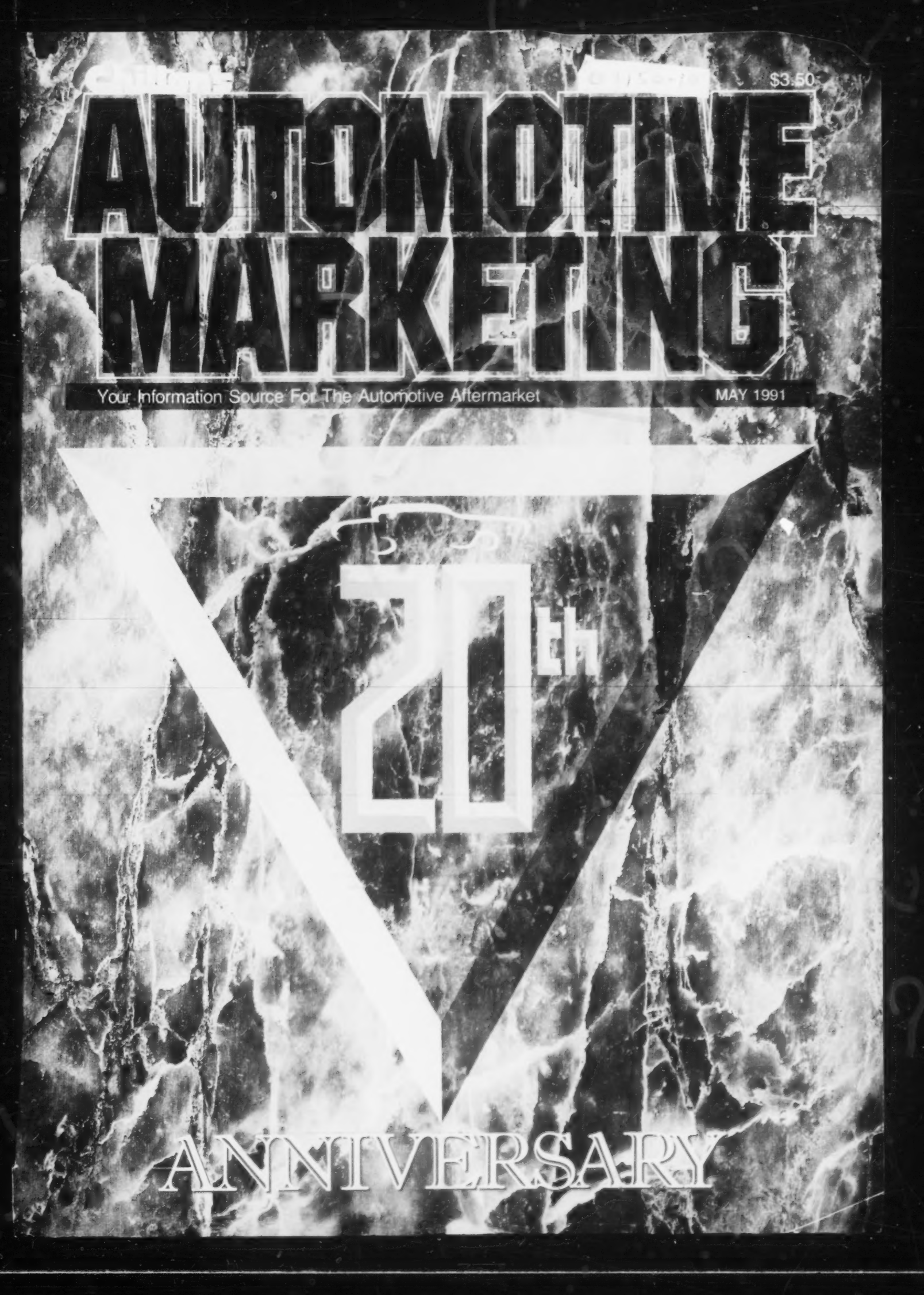

$3.50
AUTOMOTIVE MARKETING
Your Information Source For The Automotive Aftermarket
MAY 1991
20th
ANNIVERSARY

Chilton
AUTOMOTIVE MARKETING

MAY ISSUE/VOLUME 20, NUMBER 5

FEATURES

20 Years Of The Aftermarket With *Automotive Marketing* 26
Travel through the last 20 years of aftermarket history as seen in the pages of *Automotive Marketing.*

The Un-changing DIYer 40
Although experts predicted the death of DIY for many years, automotive DIY remains alive and well

Products Grow The Aftermarket 46
The aftermarket has grown through the introduction of new products, although many have had relatively short lives.

Revolution And Evolution In The Aftermarket 52
Some thoughts on where aftermarket distribution has been and where it's going.

Advertising: A Mirror Of The Aftermarket 64
Aftermarket advertising has grown with the times and is now aimed directly at the DIYer.

DEPARTMENTS

Detailing The Market	5	Rep Guide	71
Editorial	12	Ad Index	75
Market Line	14	Reader Service Card	77
Products	68		

EDITORIAL STAFF
FAX (215) 964-4981

Steve Davis, Editor (215) 964-4395
Gail Krueger-Nicholson, Managing Editor
Phil Katcher, Business Editor
John Wirebach, Senior News & Feature Editor
Wendy Ampolsk, Contributing Editor
Edward L. Kaufman, Contributing Editor (201) 567-6158
Bonnie Lynne Shannon, Editorial Assistant
Jake J. Smith, Creative Director
Mike Trinsey, Art Director
Sarah Frankson, Group Publisher (215) 964-4390

Chilton Officers:
Gary Ingersoll, President; Senior Vice President Operations, Donald W. Chestnut; Senior Vice President Books/Research, Ronald A. Hoxter; Vice President Finance, Christopher M. Savine.
Copyright 1991 Chilton Company

AUTOMOTIVE MARKETING - ISSN 0193-3264. Published 13 times a year by Chilton Co., Chilton Way, Radnor, PA 19089. Chilton Co. is a division of American Broadcasting Companies Inc., New York, NY. Subscription prices (payable in advance) in the United States and U.S. possessions, $38 a year; Canada, $72 a year; Foreign, $72 a year. Single copies $3.50 each when available, U.S. only. SECOND CLASS postage paid at Wayne, PA 19087 and additional mailing offices. Postmaster, send Form 3579 to AUTOMOTIVE MARKETING, POB 2075, Radnor, PA 19089. Canadian GST Registration Number is R125906743.

BULK RATE U.S. POSTAGE PAID CHILTON CO

3rd CLASS MATTER ENCLOSED

Chilton

CHILTON COMPANY, ONE OF THE **CAPITAL CITIES/ABC PUBLISHING COMPANIES,** Diversified Publishing Group, Robert G. Burton President, 825 Seventh Avenue, New York, NY 10019

JESSE H. NEAL AWARD-WINNING PUBLICATION FIVE OUT OF EIGHT YEARS

Permission to photocopy for internal use or the internal use of specific clients is granted by Chilton Company for libraries and other users registered with the Copyright Clearance Center (CCC) provided the base fee of $1 per copy of the article, plus 25-cents per page is paid directly to the CCC, 27 Congress St., Salem, MA 01970. Special requests should be addressed to the Editor.

MARKET LINE

Aftermarket Suffers Winter Flu; Will Spring Fever Revive Sales & Profits?

Like the rest of the country, the aftermarket has been suffering from a winter flu brought on by the recession. The signs are clear: Auto chains such as Pep Boys reported same-store sales declined 1.7% from September to January, and Trak Auto reported same-store sales declined 4% in the fourth quarter.

The same goes in the traditional market: Consultants Jack Creamer and Jay Bock reported that General Automotive called January and February "terrible" and even Genuine Parts conceded that Winter sales were flat. "There are no bright spots," Creamer said. "Even California and Florida are down. WDs are looking at a 90-day inventory and returning anything over that to the manufacturer. They expect the manufacturer to bail them out of any inventory shortages."

Among the problem retailers: Auto Giant, Northern Automotive, PACCAR (Grand and Al's) which recently requested an additional 5% discount from suppliers, Cardis, which continues to lose money, and the bankrupt Action Auto and AI Automotive operations.

Although retailers saw some recovery in March the jury is still out as to whether the uptick will continue through the year. And, new vehicle sales are depressed, so that the repair pool of vehicles will be lower in the future. Shearson analyst Joe Phillippi said, "Auto sales will improve, no question. However, we continue to believe that the rebound will be of modest proportion and not likely to gather real momentum until late 1991." Sales of light trucks, once a bright spot for both OE and aftermarket, are off 20%.

PUBLIC COMPANY SALES AND EARNINGS
(Millions of dollars)

Company	1990	1989	1988
Action Auto (sales)	$74.4[1]	$104.7	$85.2
46 stores (net income)	(6.7)	1.1	1.4
ADAP/Auto Palace (sales)	$72.7	$61.5	$60.9
79 stores (net income)	1.8	(1.0)	0.2
Auto Giant Whse (sales)	$10.8	NA	NA
3 stores (net income)	(6.2)	NA	NA
AutoZone (sales)	$671.7	$535.8	$437.4
538 stores (net income)	23.3	8.6	4.5
Cardis (9 months sales)	$61.6	$84.8	$93.7
25 owned stores (net income)	(3.7)	64.9[2]	(25.3)
Genuine Parts (sales)	$3,319.4	$3,161.2	$242.0
616 owned stores (net income)	206.6	199.5	181.4
Pep Boys (sales)	$884.7	$798.7	$656.0
313 stores (net income)	37.5	35.1	37.7
Republic (sales)	$72.5	$77.7	$85.0
89 owned stores (net income)	0.4	0.2	2.1
Sears (retail sales)	$25,093.[3]	$25,002.0	$24,252.0
(net income)	37	292	240
Trak Auto (sales)	$293.9	$275.5	$243.1
313 stores (net income)	NA[4]	2.6	2.8

[1]Nine month figure; operating under Chapter 11.
[2]Includes Tuneup Masters sale; operating loss was $3.0 million.
[3]Western Auto sales were about $1.3 billion in 1990.
[4]Net income not available at press time.

In the view of many Wall Street analysts the aftermarket is in for a period of shakeout that may well go beyond a few bad recessionary months. Some of the key reasons are things we've often discussed:

- Better quality OE cars mean parts don't wear out as quickly. And technological changes mean it's harder to calculate failure rates for parts.
- Extended warranties keep more vehicles in car dealer bays. While dealers have only been marginally successful in attracting repair business, Detroit has seen the light and efforts will continue.
- A 30% and up import rate. Leaving aside parts proliferation, which leads to expensive and extensive inventory needs, import dealers still control the bulk of import car repairs aside from quick-fix items and show no signs of conceding business to the aftermarket.

Oversupply Of Inventory

In addition to problems the aftermarket has little control over, some aftermarket practices are hurting the market. For one thing, there's an oversupply of inventory on the market. "The system has an 18-month supply of product," said Jack Creamer. "Two and a half times what's needed. We've eliminated a lot of outlets but the system hasn't eliminated the inventory. It free-floats around at 50 cents on the dollar and arrives back at the manufacturers at a dollar on the dollar. There's a pretty active grey market for people who buy distressed merchandise cheap and send it back to the supplier."

An example: "A WD switches brake lines from supplier A to supplier B. Supplier A lifts the line from the WD and offers to sell back the SKUs to supplier B. But supplier B says no, so A sells it off. What WD or retailer won't buy a quality brake line at 40-50 cents on the dollar? As a WD told us, 'It's time to forget principles and do what's right.' The supplier will eventually eat the brakes in returns or lost sales."

Bright spots? AutoZone sold out its stock offering at about $10 over the opening price. It looks as though somebody has confidence in the aftermarket. Stay tuned for the spring DIY season. ■

replace Freon in air conditioning units. Freon, which releases chlorinated fluorocarbons (CFCs), has been banned as a threat to the ozone layer. Automotive air conditioners account for some 40% of the Freon problem.

Suva, a hydro fluorocarbon product, will be introduced by European OEMs in 1991 and by North American OEMs in 1993. Production of Freon, on the other hand, is expected to virtually cease by 2000. The phaseout of Freon and the gradual introduction of Suva into the aftermarket will provide a challenge for owners of the close to 100 million Freon-charged A/C units on the road.

Hoyt Wilder, president of Ig-Lo, a Valvoline subsidiary, Lexington, KY, and exclusive distributor of Suva to the aftermarket, expects a great increase in sales of Freon recycling equipment in addition to Suva equipment sales. Wilder predicts as many as 200,000 units at roughly $4,000 per unit could be sold. ■

FLOTSAM

DRUGS AND THE WORKPLACE

SmithKline Beecham Clinical Laboratories, Philadelphia, which conducts about a quarter of all work-related tests for drugs annually, says it is encouraged that the amount of positive tests continues to decline. In 1990, some 11% of 1.9 million workers tested positive, compared with 13% in 1989.

Year	% Of Positive Tests
1990	11.0%
1989	12.7%
1988	13.6%
1987	18.1%
Most Common Drugs	
Marijuana	33.8%
Cocaine	24.3%
Valium	14.2%
Opiates	13.7%
Barbiturates	7.1%
Darvon	2.6%
Amphetamines	2.1%
PCP (Angel Dust)	1.1%
Methadone	1.1%

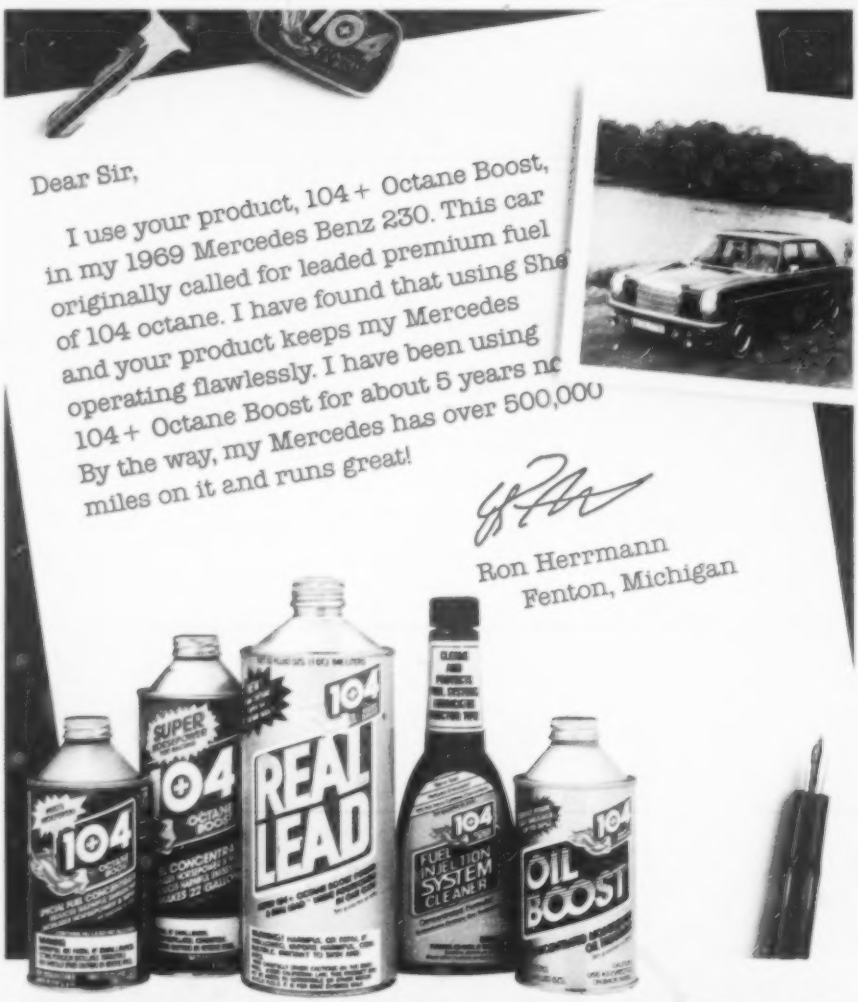
Source: SmithKline Beecham Laboratories, Philadelphia

Reader Looks For Data On DIYers By Age Groups

We received the following letter from Gerry Smith, director of marketing, Gold Eagle Co., Chicago. The letter was edited for length.

Your article in the January issue ("The Four Ages of the DIYer," page 15) was very enlightening. There is no doubt that the young DIYer is our future and it is important that we know what the needs and desires of these youngsters are.

I have one suggestion as a follow-up to that article that would greatly enhance the data presented. In each case, it would be useful to compare the data for the younger DIYers with some baseline. In the case of the first group of questions that run through page 15 and 16 of the magazine, it would be good to compare the under 25-year-old DIYer answers with answers of other age groups. In the case of the demographic-type information presented on page 18, it would be useful


Dear Sir,
I use your product, 104+ Octane Boost, in my 1969 Mercedes Benz 230. This car originally called for leaded premium fuel of 104 octane. I have found that using Shell and your product keeps my Mercedes operating flawlessly. I have been using 104+ Octane Boost for about 5 years no By the way, my Mercedes has over 500,000 miles on it and runs great!
Ron Herrmann
Fenton, Michigan
104
SUPER
REAL LEAD
FUEL INJECTION SYSTEM CLEANER
OIL BOOST

500,000 MILES OF SMILES.

Your mileage may vary, but the quality won't. 104+ Octane Boost products stop damaging engine knocks, increase horsepower up to 18.9% and decrease harmful emissions by as much as 32%. Put yourself miles ahead in sales and profits with quality 104+ Octane Boost.
Call 1-800-527-1237 for the 104+ wholesaler or rep near you.

104 OCTANE BOOST

FOR THE LONG RUN.
OCTANE BOOST CORPORATION
Box 271148 Dallas, Texas 75227

(Circle 14 on Product Information Card)

THE MARKET

ANNIVERSARY

The Un-changing DIYer

So-called experts have predicted that automotive DIYers will be a dying breed for two decades. But, DIYers are still around and certainly will remain so for the forseeable future, according to every hard statistic.

by Phil Katcher, Business Editor

They've been calling for the death of DIY for years now, but don't believe it. There are more automotive DIYers doing more types of jobs and spending more money in auto parts stores than ever.

It was back in 1979 that Predicasts Inc., Cleveland, OH, released a report that claimed retailers selling to DIYers faced serious problems. According to the report in *Automotive Marketing* of March of that year, "The study states that since the mid-seventies, several new car designs have occurred which will adversely affect the DIY auto products market—mechanical and electromechanical apparatus have been replaced by longer-lasting electronic systems, chemical maintenance intervals have been expanded, and car manufacturers are providing additional accessories as options or standard equipment."

Then, a decade later, *Automotive Marketing* opined: "As we see it, the do-it-yourself (DIY) market faces four serious challenges in the 1990s: first, today's vehicles are more reliable and need fewer repairs; second, traditionally strong DIY demographic groups such as farmers, factory workers, and teenagers are declining; third, specialty repair shops that offer convenient and reasonably priced repairs are luring away some DIYers; and finally, DIYers are being told—and sometimes convinced—that new vehicles are too complicated for them to repair.

"A good condensation of the negative attitude on this issue is found in a 1986 research project released by Dr. David M. Cole, director of the Office for the Study of Automotive Transportation at the University of Michigan, Ann Arbor, MI.

"The report predicted an increase in importance for routine replacement items and fluids, and for more DIY work with tires, brakes, wheels, and shocks. However, DIY work on ignition systems, nonmodular electronics, fuel injection systems, and all engine components will decline, according to the report.

"But the idea that vehicles are too complicated for DIYers to work on is not new. Professional mechanics and other doomsayers have been saying so for years. And, in the past, they have been wrong.

"Floyd Percy, previously the lead buy-

THE MARKET ANNIVERSARY

er at ADAP and Chief and now a consultant in Moneta, VA, recalled that when automatic transmissions came into the OE market, 'Everyone was scared to death. This meant the end of the clutch business. No DIYer could understand automatic transmissions. Today, DIYers repair automatic transmissions and the clutch business is better than ever.' "

DIY Lives!

Percy's point is well taken; every time new technology has arrived—technology that threatens to do away with the DIYer—the DIYer has adapted to it. Moreover, as we reported in March 1979, Predicasts expected some growth areas of DIY since people who weren't DIYers then began doing simple operations such as changing oil and putting in additives. This would be due to rising professional service and new car costs—two cost areas that continue to rise.

Indeed, a survey done by Market Structure Insights (MSI) Inc., Minneapolis, MN, in 1979 found that most DIYers agreed with the statement, "The most important reason to DIY is to save money." It's a reason that hasn't gone away, and as prices rise it grows in importance.

And there is evidence in surveys taken over the past several decades that proves this point.

- In 1973 the Automotive Parts & Accessories Association, Bethesda, MD, released a study of DIYers done for the Association by Industrial Market Research. According to it, 65% of people who owned cars did some sort of automotive DIY work on them.
- In 1984 *Automotive Marketing* had Chilton Research Services survey car maintainers to see what the automotive DIY world was like. This benchmark study showed that 71% of all vehicle maintainers were also DIYers.
- In 1991, *Automotive Marketing* had Chilton Research Services survey people who said they were responsible for maintaining some sort of personal vehicle for its eighth annual study. This study found that 77% of them said they were DIYers of some sort or another.

It should be pointed out, in passing, that the surveys were all conducted slightly differently, using different criteria to select respondents. They are not exactly comparable. Therefore, it is not possible to say that automotive DIY has grown by an exact 12% between 1973 and 1991. But, it is safe to say that the three surveys done over almost two decades consistantly have found that some two thirds of vehicle maintainers are also automotive DIYers.

What DIYers Are Like

In 1973, the APAA study indicated that white collar jobs were held by the largest single group of DIYers (45%); most were between 25- and 34-years-old; most (68%) had only one car; and the typical salary ranged between $10,000 and $14,999.

In the first *Automotive Marketing* DIY study, in 1984, we said that, "The typical DIYer is male, in his late thirties, married, owns his own home, and enjoys a family income of about $24,000 a year (slightly under the national norm). The typical DIYer is well educated; some 46% have at least attended some college. He owns 1.1 vehicles and is responsible for the maintenance. About half still work in traditionally blue collar jobs. The typical DIYer visits an auto store about once every other month."

The results of the 1991 *Automotive Marketing Consumer Automotive Repair Study* virtually echoes this statement, although there were some significant differences between 1984 and 1991. Today's typical DIYer is also still male (64%), in his late thirties (around half), married (56%), and well educated (55%) has attended or graduated from college. However, trips to auto parts stores have fallen off: Only 8% visited one every other month, while over a quarter visit one or fewer times annually. Moreover, 68% are responsible for and maintain only one vehicle. And, only around a quarter hold a blue collar job; most hold white collar jobs.

What DIYers Do

There have been changes in the jobs DIYers do, and in the DIYers themselves, over the past two decades. In 1973, 77% of DIYers would change motor oil, but only 31% were dedicated enough to change their car's shocks. Somewhere in between, 40% could change their car's belts.

THE DIY UNIVERSE

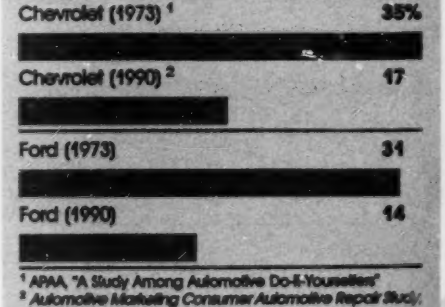
Over the years *Automotive Marketing* has tracked the total percentage of vehicle owners who are also DIYers—our readers' customers. Despite talk of the increasing advanced technology and aging of America cutting into the total number of vehicle DIYers, the evidence is that average percentage has remained fairly steady over the past twenty years.

Year	DIY %	Source
1973	65%	APAA [1]
1977	81	*AM* [2]
1979	50	Levy [3]
1983	69	HW [4]
1984	71	VMS [5]
1985	72	CARS [6]
1986	72	CARS
1987	71	CARS
1988	71	CARS
1989	58	CARS
1990	51	CARS
1991	77	CARS

[1] Automotive Accessories & Parts Association, *A Study Among Automotive Do-It-Yourselfers*
[2] Study done of auto supply purchasers only.
[3] Doran Levy, *Strategies for the Aftermarket*, Minneapolis, MN, 1980
[4] *Hardware Age*
[5] *Automotive Marketing's Vehicle Maintainer Study*
[6] *Automotive Marketing's Consumer Automotive Repair Study*

THE CHANGING CAR PARK

In 1973 American-made cars were the most popular owned by DIYers. While Chevrolet and Ford still lead the list of cars owned by DIYers, the percentage of them is much smaller now than then.



[1] APAA, "A Study Among Automotive Do-It-Yourselfers"
[2] *Automotive Marketing Consumer Automotive Repair Study*, 1990

THE MARKET ANNIVERSARY

THE AGING DIYER

As the overall American population has aged, so has the age of the DIYer. Yet, more younger DIYers are entering the picture now than in 1973, which is good news for future parts, chemicals, and accessories sales.

DIYer age	1973 [1]	1990 [2]
-25	7%	13%
25-34	30	25
35-44	13	20
45-54	20	14
55+	21	27

[1] APAA, "A Study Among Automotive Do-It-Yourselfers"
[2] *Automotive Marketing Consumer Automotive Research Study*, 1990

Today, among those who called themselves automotive DIYers, surveyed in our 1991 *Consumer Automotive Repair Study (CARS)*, 46% said they were light DIYers who only did jobs such as wax and polish their vehicles and top off motor oil or antifreeze/coolant, or replace a filter. Another 34% said they were medium DIYers who might do an oil change or replace a muffler. And 20% were dedicated DIYers for whom changing a MacPherson strut posed no problems.

Although the hard-core DIYer represents perhaps only 20% of the DIY base, it fits into the traditional 20/80 rule of retailing that indicates 20% of the customers do 80% of the business. And the hard-core DIYer is the person who does almost any repair, and is important to the DIY market. While the number of these DIYers has never been very high, their DIY purchases have always been very important to retailers.

Over half of those who say they are automotive DIYers said they enjoy it. In 1973 the APAA DIY study showed that 82% said they enjoyed doing such work to "some degree." The 1991 study showed that 53% enjoyed doing automotive maintenance either "a lot" or "somewhat." A significant 23% didn't enjoy the work "at all" in 1991. Obviously, today there are a lot of people who work on their cars from sheer necessity—perhaps a larger number than there were two decades ago when professional service costs were lower than they are today and cars were traded in more frequently than today.

As well, we found a quarter of DIYers said their DIY involvement had decreased over the past five years, while 30% said their involvement had actually increased during the same period. While these numbers are not exactly comparable, in 1984 it was only 15%.

DIYER INCOMES ROSE

Incomes among DIYers rose dramatically with inflation between 1973 and 1990. In fact, $20,000 was considered the high end income in 1973, while it was on the low end in the 1990 study.

DIYer Income	1973 [1]	1990 [2]
-$20,000	87%	25%
$20,000+	13	68

[1] APAA, "A Study Among Automotive Do-It-Yourselfers"
[2] *Automotive Marketing Consumer Automotive Research Study*, 1990

THE DIYER'S PROFESSION

As jobs in America have switched from manufacturing to service, one might expect DIYers to be much more white collar workers in 1990 than they were in 1973. However, this does not seem to be the case.

DIYer job	1973 [1]	1990 [2]
White collar	45 %	45 %
Blue collar	39	34
Retired	8	9
Student	3	4
Housewife	0.1	4

[1] APAA, "A Study Among Automotive Do-It-Yourselfers"
[2] *Automotive Marketing Consumer Automotive Research Study*, 1990

There have been changes in DIYers' shopping patterns over the past two decades, too. In 1973, so-called WDs had a 31% share of market, with discount/department stores at 27%, and "home and auto stores" having an 8% share of market. In 1991, however, 56% of DIYers bought auto parts at discount/department stores, while WDs weren't even mentioned. Auto parts stores had a 27% share of market.

The Future Of DIY

So, there will be a good future in selling to automotive DIYers. But, it will require work on the part of manufacturers and retailers to grow the market. As we said in 1989, "One key to the future will be education at all levels. The easiest education will involve the light DIYer. For the kind of jobs the light DIYer does, there's absolutely no change—if retailers are smart enough to make sure the light DIYer knows it's the same work he's always done.

"The hard-core DIYer will remain a hard-core DIYer with only a little help from the store. This core DIYer *wants* to repair his own car.

"The guy in the middle—the serious DIYer—will require a push. The retailer will have to show him that he can still replace parts such as shocks and brakes, do the same maintenance tasks as the light DIYer, and even move into electronic engine controls. ■

THE JOBS A DIYER DOES

In most cases, the percentages of DIYers who did specific jobs in the APAA 1973 survey was very similar to the percentage of DIYers who did those same jobs in 1990, when *Automotive Marketing's Consumer Automotive Repair Survey* questioned DIYers alone.

DIYer Job	1973 [1]	1990 [2]
Antifreeze/ Coolant	83%	63%
Oil	77	81
Wipers/ blades	67	50
Battery	56	29
Lights	49	40
Oil Additive	42	44

[1] APAA, "A Study Among Automotive Do-It-Yourselfers"
[2] *Automotive Marketing Consumer Automotive Research Study*, 1990

WHERE DIYERS SHOPPED

Shopping patterns have changed considerably among automotive DIYers over the past two decades. Auto parts stores have gained considerable market share, as have department and discount stores.

DIYers	1973 [1]	1991 [2]
WD	31%	*%
Discount/ Department Stores	27	56
Auto Parts Stores	8	27
Gas Stations	11	16
Car Dealers	3	16
Specialty Repair	2	28
Supermarkets	*	10

* Call to small to measure
[1] APAA, "A Study Among Automotive Do-It-Yourselfers"
[2] *Automotive Marketing Consumer Automotive Research Study*, 1991

THE MARKET

ANNIVERSARY

New products, some copied from parts designed by auto makers for their cars and some developed independently, have been the thing that has propelled the aftermarket.

Products Grow the Aftermarket

by **Phil Katcher,** Business Editor

Fifteen years ago," *Automotive Marketing* reported in June 1982, "most cars were equipped with factory-installed AM radios, and the dream of many a 16-year-old was to scrape up enough money to buy an under-dash 8-track tape player for his first car." Today, in 1991, most cars come with OE AM/FM/Cassette stereos and nobody has an 8-track under his dash.

This change is typical of how the products, both need and want, that the aftermarket sells have changed to meet new realities.

In 1971, most cars DIYers were working on were big, American-made cars, with big, gas-guzzling engines. According to Motor Vehicle Manufacturer Association (MVMA) figures, 79% of all 1972 cars sold had V-8 engines. Only 20% came with six cylinder engines, and the number of four cylinder engines sold by domestic manufacturers was virtually non-existent.

MVMA's 1989 figures show that only 16% of cars made that year—the latest for which figures are available—came with V-8 engines. The six cylinder engine was used in 39% of cars sold that year, while the rest came with four cylinder engines.

The cars sold in 1972 came with a great deal fewer items considered virtually standard on today's cars. Only 10% of that year's cars, according to the MVMA, had AM/FM radios, while only 4% had stereo tape players that came as OE; 71% had only AM radios. It was not until 1974 that domestic car makers supplied a radio as standard equipment with their new cars. Just over a quarter of 1972's cars (27%) had power windows. The same percentage came with adjustable steering wheels. Only 10% had power door locks.

MVMA's 1989 figures show how the OE car has changed. In 1989, 53% of domestic cars sold had AM/FM radios, while 52% had AM/FM stereo cassettes. Over half (55%) had power windows. The percentage with adjustable steering colums had jumped to 80%. And 62% had power door locks.

The Rise Of The Import

The leading imported car in 1972 was the Volkswagen Beetle, and that was mostly popular on the two coasts, especially among younger, trendier car owners. It was good, reliable, but very basic transportation. But, already the picture was beginning to change. As *Automotive Marketing* reported in its 1973 Automotive Parts & Accessories (APAA) Show issue, "More Americans than ever before are rolling around on foreign wheels, and liking it. At least part of the impetus for the move to imports has been this year's gasoline shortages and spiraling prices. While imports have consistently captured about 15% of car sales in recent years, the events of the past summer have forced even the most dyed-in-the-wool American-first(er) to take a second look at them little furrin' devils."

Today, Japanese cars, ranging from the low-price economy models to the height of luxury, dominate the market. And, their market share is more like 35% of the total domestic car population. In some areas, such as California, over half the cars on the road bear foreign nameplates. Most of them come as completely equipped with extra accessories such as top-notch sound systems and power equipment as domestic cars.

With the rise of the import, new products were introduced. At first, these were mostly to dress up and improve vehicles, especially as early import purchasers tended to return to the dealer for parts. As imports grew more common on the roads, retailers began to stock repair parts for them to meet growing needs.

The Impact Of Changing Cars

The impact of the changes in vehicles sold on the aftermarket has been great. For example, a reduction in the overall number of engine cylinders, combined with longer intervals between required changes, has cut the sale of spark plugs, since fewer are needed for a tune-up. Motor oil sales have also been flat, since less is used in today's smaller engines.

In October 1982, *Automotive Marketing* noted that exhaust system product sales had begun to dip because of the rise of smaller cars that used fewer products. The smaller, hotter-running engines also lengthened replacement intervals. Finally, exhaust system products themselves improved in quality with stainless steel replacing galvanized steel, so that they did not have to be replaced as often as they had earlier.

The rise in front-end-drive cars created new markets in such products as MacPherson struts, rack and pinion steering

THE MARKET ANNIVERSARY

systems, coil springs, and constant velocity (CV) joints.

Retrofitting new accessories into older cars has traditionally been a major part of aftermarket sales. For example, in September 1982, *Automotive Marketing* reported that, "The 25 million used cars in America are electronics-empty, and only accessories can update them."

A case in point is the cruise control which was invented by Ralph Teeter of Perfect Circle Industries. It entered the OE market in the 1950s. Aftermarket versions for retro-fitting appeared in the aftermarket in the '60s, but these were quite expensive. In the late late '70s aftermarket prices dropped enough to become competitive with OE models, and their sales took off.

Since there will be more older cars that came with OE power door locks in the future, however, their sales are bound to dip somewhat. Indeed, the sales of more completely equipped cars certainly will continue to cut into retro-fit accessories sales in future years.

The gas crises and growing concern about the environment led to a number of government regulations that seriously damaged the widespread performance market. Yet, there is as big a "performance" market today as ever; the difference is that today's performance products make a car look fast rather than go fast. Ground effects kits, for example, which became popular in the late 1980s, include chin spoilers, skirts, and rear deck spoilers that really don't improve performance, but do make cars look like they go faster.

At the same time, also in response to new regulations, some products that do good as well as look well have entered the aftermarket. It was in the mid-1980s, for example, that the Environmental Protection Agency went to the aftermarket to get reasonably priced replacement catalytic converters made available.

Fads Result In Sales

Some—indeed, many—aftermarket sales are related to fads, usually of short-lived duration. For example, in *Automotive Marketing's* 1975 Automotive Parts & Accessories Show issue noted that, "Citizens Band (CB) radios are going to be *hot* throughout the next year." Indeed, we went on, "The market is practically unlimited. Already there are more than four million units licensed in the U.S. (not including those units used by police and fire authorities) and some manufacturers are predicting that the number of transceivers sold in this country will easily double and conceivably even triple that figure by 1980."

However, in September 1982, we noted that, "Like most fads, the CB craze faded away in the late '70s. The market was oversaturated with manufacturers and oversold.... As sales declined, one by one the manufacturers dropped out of the market. Retailers stopped carrying CB units. In the words of one retailer at the time, 'The CB is as dead as the hula hoop.' "

However, at that time, too, makers were returning to the aftermarket with portable, hand-held CBs that were being marketed as safety equipment, to be used in case of emergencies to summon help. And, there have been slow but steady sales of CBs throughout the years after that—but at a much more reasonable level. This is the way with many products that begin life as fad products.

Some products are designed to solve specific problems and sell well as long as the problems are still seen as problems. For example, in the late 1970s several manufacturers began offering devices mounted on top of the dash that monitored gasoline mileage so that drivers, worried after two gas crises within a decade, could get the best fuel consumption possible. Some of these were full driving computers that also had as many as 43 other functions ranging from voltage and temperature monitoring to nighttime headlight dimming and cruise controls. Others were simple devices using different colored light bulbs to let the driver know how efficient his fuel consumption was. As time eroded the memories of long gas

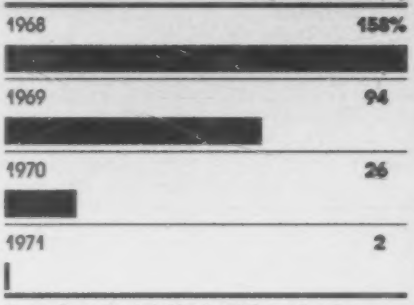
NEW PRODUCTS GROW THE AFTERMARKET

It's new products—chemicals, parts, and accessories—that keep the aftermarket growing. For example, here are some samples of new developments over the past several years.

Product	Year Reached Aftermarket
Shock Absorbers	1907
Windshield Wipers	1916
Locking Gas Caps	1932
Sealed Beam Headlights	1937
Car Covers	1950
Transmission Stop-leak	1952
Carburetor Cleaners	1954
4-bulb Sealed Beams	1955
Cruise Controls	1960
Tire Inflators	1960
Radar Detectors	1961
MacPherson Struts	1965
Truck Bed Liners	1968
Detergent Dispersants	1968
Fuel Injector Cleaners	1970
Window Film	1970
Maintenance-free Batteries	1972
Louvers	1976
CB Radios	1977
Dash Covers	1977
Plastic Oil Containers	1977
Back-up Alarms	1979
Driving Computers	1979
Power Door Locks	1979
Retrofit Electronic Ignitions	1979
Methyl Alcohol Gas Extenders	1980
Finish Restorers	1981
Musical Horns	1981
Air Springs	1984
Replacement Catalytic Converters	1984
Cardboard Sunshades	1984
CD Players	1984
3rd Brake Lights	1985
Solar Battery Chargers	1987
Plastic Card Car Keys	1987
Double Emergency Switch Battery	1989
Cab-operated Variable Shocks	1989
Dry Paint Rub-ons	1989
Matching Color Accessories	1989
Solar Powered Ventilators	1989
Combination Bedliner/Tool Boxes	1990

THE LIFE OF A FAD: 8-TRACK TAPES

The big thing in sound in the late 1960s and early 1970s was the eight-track tape. Now, they are more common at garage sales and flea markets than in retail stores.



Source: Recording Industries Association of America

ANNIVERSARY

THE DISTRIBUTION SYSTEM

Aftermarket distribution has changed since Automotive Marketing's first issue. Some thoughts on where it's been and where it's going.

Revolution and Evolution in the Aftermarket

by **John Wirebach,**
Senior News & Feature Editor

The automotive aftermarket was basically in place by the 1920s. It consisted of a well-developed OE service market (new car dealers), the beginnings of an independent repair market (parts suppliers selling to independent garages through jobbers), and a retail aftermarket (parts and accessory manufacturers selling to car owners through auto stores).

Automotive Marketing's first issue in November, 1971, coincided with the retailing revolution that began during the 1960s and continued through the 1970s, 1980s, and 1990s.

The retailing revolution has led to what we call the fragmented aftermarket. A DIYer seeking a spark plug can buy one at an auto chain store, a mass merchandiser, a jobber/retailer, a traditional jobber store, many grocery, hardware, and department stores, some drug stores, and most convenience stores. And these are only the major players. Someone who wants it done for him or her can go to a car dealer, a gas station, a garage, a mass merchandiser, an auto chain store, a tire store, a tune-up specialist, and several other outlets we missed.

But 20 years ago, when *Automotive Marketing* came on the scene, DIYers had a very limited choice of outlets with a limited selection of products. The non-DIYer probably went to a local gas station or garage. The aftermarket was much more structured and stable.

In this article we want to examine some of the major trends and changes we've found over the last 20 years.

Of the three channels of distribution, car dealers have been least important to the aftermarket, although their share is about 20% of the market and much higher for heavy engine repairs. By and large, the new car dealers conceded car repairs to the other participants. There was too much money to be made selling new cars to worry about the smaller profits to be made in repairing old cars. There were

THE DISTRIBUTION SYSTEM ANNIVERSARY

also fewer hassles from angry consumers. Although there are some signs of revived interest in competing for service work, especially by General Motors, most dealer bays are still dedicated to warranty work.

This is not true for import car dealers, however. Selling a unique product in small numbers, and because most American jobbers and repair facilities were very slow to carry parts or repair imports, import car dealers were forced to provide parts and service from the beginning. In addition, OE supplier and car maker relationships slowed the shipment of parts to America, while domestic parts makers were slow to provide import coverage. As a result of all these factors, import dealers still control close to half the market for parts and service to imports.

The Retail Market

The retail market has changed the least in structure and attitude. Chain stores typically began by selling accessories (such as headlights) that car makers did not sell as OE equipment. As time went on, retailers added parts until today most stock close to 15,000 SKUs. They began by buying direct from the factory and still buy direct. Their chief support, then and now, is the DIY customer.

Perhaps the single most important trend in the retail market is the merger and acquisition mania that led to consolidations and bankruptcies in the 1980s. Only four—Advance, Champion, Genuine Parts and Nationwise—of the twenty largest auto chains have not changed hands since the 1970s. A fifth, Pep Boys, went public in 1981, but has not changed management.

Mergers and acquisitions created megachains. By our count, there are now 20 chains operating more than 100 stores. Four, in fact, operate more than 500: Northern Automotive, based in Phoenix, bought up the smaller Schuck's, Checker, Kragen, Crown, and Autoworks chains for a total of some 850 stores; Chief Auto Parts, Dallas (about 520); AutoZone, Memphis, TN (about 560); and the Genuine Parts-owned NAPA stores which owns some 650. Not far behind, Western Auto, Kansas City (which is now owned by Sears); Trak Auto, Landover, MD; and Pep Boys, Philadelphia, all own more than 300 stores.

So while the number of auto stores continues to increase, the number of store owners (and buyers) is actually declining. With the number of buying points decreasing, interesting regional situations occur. For example, Los Angeles is the largest single automotive market in the country. Four retailers—Pep Boys, Kragen Auto, Trak Auto, and Chief—dominate the retail market, while NAPA, Big A and Carquest all operate jobber stores. But of the seven operations, only Carquest actually has a buying office in L.A. Pep Boys, Kragen, and Trak all closed Los Angeles offices in the 1980s.

Implications Serious

The implications of such changes are serious for suppliers. Retailers have

THE GROWTH OF THE AFTERMARKET

1920s: Formation of the aftermarket
- Car dealers served by OE car makers
- Independent repair shops served by parts manufacturers through jobbers (no WDs)
- Retail market selling to DIYers (Western Auto, 1909; R&S/Strauss, 1919; Penn-Jersey, 1920; Pep Boys, 1921).
- 22 million cars on the road by 1929.

1929-45: Depression and World War II.
- Only 25 million cars on the road by 1945.

1940s-50s: Post-War Boom.
- Establishment of three-step distribution (WD to jobber to installer).
- AWDA formed.
- 40 million cars by 1950 and 61 million by 1960.

1960s: The "Golden Age".
- "It's impossible to lose money selling auto parts."
- Gas station count reaches 215,000 (359,000 repair outlets in all) buying through 20,000 jobbers.
- Service, and availability the key factors.
- Supplier dominated distribution.
- Rise of mass merchandiser discount stores.
- DIY sales steadily increase; manufacturers debate selling product to retail stores.
- APAA formed.
- 90 million cars by 1970.

1970s: The decade of change
- First issue of *Automotive Marketing*
- Two oil shortages close 100,000 or more gas stations.
- Number of repair outlets falls to 275,000.
- Rise of jobber retailing; the growth of programmed distribution.
- Radical design, engineering and downsizing changes in new cars lead to parts proliferation problems.
- Imports seize a quarter of the new car market.

1980s: The fragmented aftermarket
- Early 1980s, a severe recession cuts new cars sales.
- Average age of cars reaches 7.6 years; over a third of all cars more than 10 years old or older.
- Growth of the franchised repair specialist.
- Grocery, drug, hardware stores add automotive SKUs.
- Mergers and acquisition mania among retail chains and WDs.
- A jobber store a day closes.
- Continued growth of WD buying groups.
- Revival of the performance market
- Import parts the key problem.
- Rise in the light truck market.
- 144 million cars by 1990.

1990s: The merging market?
- Will DIY sales decline with sophisticated technology?
- First automotive warehouses open.
- Specialized WDs are big business.
- Programmed distribution spreads to retail and performance markets.

THE DISTRIBUTION SYSTEM 20th ANNIVERSARY

gained clout no one foresaw 20 years ago. The retail chains have come full circle from the fledglings that *Automotive Marketing* described in its first year:

"The new retailers are large enough, in many cases, to control their own distribution. And in other cases, they are large enough to ask for, and get price concessions within established private distribution channels. More and more, the automotive manufacturers are awakening to these hard facts:

- The retail segment must be served on its own terms.
- The difference between success and failure in competitive markets often lies in streamlined distribution.

"That mighty network of parts and equipment manufacturers is beginning to see that it's the retail segment that dictates what changes must be made in distribution."

That prediction has come true. Today's market is now distributor, particularly retail distributor, driven. Suppliers who fail to sell major retail chains can easily be frozen out of regions, which means both large programs and retailers are now able to squeeze suppliers for the very best deals and advertising support over and above normal co-op allowances.

One supplier put it this way: "The big guys are going to eat the little guys. I have no idea how some of the small guys are surviving now. Eighty customers account for about 85% of our sales. It's going to get worse before it gets better. I can see maybe only 50 customers in five years. And everybody will be there with their hands out."

A buyer for one of three competing chains in an eastern city said, "Do I play one vendor against another? Of course I do. Do suppliers want to pay for all the promotion stuff the chains are doing? Of course not. But the real question is, will they do it? Sure, if it's a power chain. Any kind of deal you can conjure up is out there if you want to look for it."

The Traditional Market

The real impact of retailing has fallen on the traditional market. The traditional channel is still the major player in the aftermarket. Traditional WDs and jobbers still control almost half of all parts sales, with close to $20 billion in sales in 1990. But while it remains the leading channel, the traditional channel is not the same distribution channel it was in the 1960s.

The WD/jobber channel as we know it began in the late 1940s and early 1950s. Until the 1940s, jobbers bought direct from the manufacturer and manufacturers themselves performed most of the WD's functions. Naturally, seeking lower costs, suppliers began to pass these functions along to jobbers. Soon, it became obvious that another step would be needed. In 1949, following two years of attempts, a number of manufacturers agreed that to have large independent warehouses stocking, selling, and servicing their lines could be profitable. Out of these meetings came a national network of WDs and the Automotive Warehouse Distributors Association (AWDA).

By the 1950s, the route an automotive part followed from its manufacturer to the ultimate consumer, the car owner, was pretty simple. The supplier sold it to a WD who sold it to a jobber (so-called because he sold by the job), who sold it to a mechanic, who installed it for the consumer. Wholesalers flourished: between 1945 and 1971, the number of wholesalers (WDs and jobbers) rose from 6,000 to some 24,000. The latest count by the Automotive Service Industry Association (ASIA), Chicago, found 700 WD owners running 1,200 warehouses and 13,760 jobber owners operating 26,200 jobber stores.

ACCESSORY SALES
(In billions of dollars)

Distribution channel	Estimated sales
Chain stores	$4.2
Mass merchandisers	2.6
Tire dealers	0.9
Car dealers	0.9
Service specialists	0.5
Jobber/retailers	0.3
Total accessory sales	**$9.5**

Source: *Automotive Marketing*/Lindsey-Kaufman Co.

The key to understanding the traditional market is understanding the *Blue Sheet*. The Blue Sheet is the basis for traditional market pricing; it sets the supplier's price to the jobber. In return for providing various functions, such as storage, shipping, service and additional sales, a WD is allowed to buy goods at roughly 25-35% less than Blue Sheet price. So an item listed at $1.50 by the supplier sells to the WD for about $1.00.

For his part, the jobber sells to various classes of customers at various prices set by a rainbow tablet of price sheets: pink, green, yellow, etc., above Blue Sheet price. Until the 1980s, the entire traditional market worked exclusively from the price sheets. Customers were rigidly classified as to what color sheet they could buy off, although WDs and jobbers usually added 5-10% discounts for their best customers and supplier also gave 2-5% volume discounts in spring and fall.

Understanding why the Blue Sheet, in the words of Larry Anton, past president

THE DISTRIBUTION SYSTEM ANNIVERSARY

of Bumper to Bumper and AWDA, is "dying a slow and painful death" is a little complicated.

Major Buyers

The major buyers were the network of gas stations built by the major oil companies to sell their gas and oil. In the 1950s and 1960s, as the number of cars on the road doubled from 40 million to 89 million, there were gluts in oil production (oil was imported originally because it was cheaper than American oil), and oil companies competed bitterly to gain share. In order to attract gas and oil customers, the oil companies promoted their dealers' service business. The growth of gas stations after World War II was a boon to the wholesale market, which serviced the stations with everything except TBA (tires, batteries, accessories) parts. By the 1970s, there were well over 200,000 gas stations buying products through 25,000 or so jobbers. There were a few DIYers who bought from jobbers, but jobbers made little effort to sell the DIYer. In fact, many discouraged DIY sales in order to protect the professional mechanic. As late as 1971 only 9% of jobber sales went to DIYers.

The jobber looked upon retailers with disdain: "The snake oil and fuzzy dice people" was one kind description. Although the number of retailers also grew, their influence and market share was miniscule except in chemicals and accessories. Repair parts were strictly a traditional market staple. Indeed, many national suppliers would not sell to retailers in order to protect their WD customers. What parts were sold in DIY stores tended to be off-brand or white box parts.

Despite steady DIY growth in the 1960s the traditional market on the whole pretty much ignored the DIYer. And, because of steady growth in business, they did not have to change. The market was controlled and stable.

Service Changes

However, keeping pace with the number of cars on the road and the rapid move to the suburbs by American families, mass merchandisers and repair specialists sprouted up to challenge gas stations and garages for basic profitable repair business such as tune-ups, muffler and shock replacement, and oil changes. These service competitors bought directly from manufacturers and used retailing techniques to sell auto parts and repairs the same way they sold clothing and furniture.

OIL AND CHEMICAL SALES (In billions of dollars)

Distribution channel	Estimated sales
Gas stations	$2.4
Chain stores	2.3
Mass merchandisers	2.0
Service specialists	0.8
Garages	0.5
Car dealers	0.4
Jobber/retailers	0.4
Tire dealers	0.1
Total oil/chemical sales	**$8.9**

Source: *Automotive Marketing*/Lindsey-Kaufman Co.

While the traditional market had more or less conceded the DIY market to retailers, direct service competitors were a different story. Unlike garages and gas stations who wait for customers, these service competitors pursued business aggressively. They know what they want to sell, how it should be priced, and whom they want to reach.

Between the mass merchant, the tire store, and the repair specialists, these competitors presently sell about 25-30% of the service market. While they've all had problems getting into service business, most predict continued growth.

On the average, some 6% of discount store sales are made in their automotive departments. By way of comparison, women's wear sections produce an average of 12% of total sales. Still, most discount/department store experts expect automotive sales to grow. They point to the fact that the sale of automotive products has grown almost 1,180% between 1963 and 1986. Experts believe that by the year 2010 the percentage of sales of automotive products will be around 6.75%, almost a full percentage larger than today.

Tire store chains began to emphasize service simply because improved radial tires meant fewer tire sales. The average annual tire sales per car dropped from about 1.9 in the 1970s to about 1.1 today. Tire sales fell off from about 140 million per year in the 1970s to about less than 120 million in the 1980s. Fewer sales meant intense competition and margin slicing for the sales that remained.

In order to survive, national tire chains like Firestone (1,500 owned outlets) and Goodyear (1,300 owned outlets), which already had service bays, expanded their service offerings and began to advertise such things as tune-ups, brake jobs, and

1978-1991: CHANGE IN THE AFTERMARKET

We looked back at the 20 leading aftermarket chains to discover how many had changed hands. Only five had not, although four did not exist in 1978.

Chain	Who owned in 1978	Who owns it now
Advance	Private	Private
Autoworks	Did Not Exist	Northern Automotive
AutoZone	Did Not Exist	Malone and Hyde
Big A	Gulf and Western	Private
Champion	Private	Private
Checker	Private	Northern Automotive
Chief	Apache Corp.	Private
Fisher Stores	Private	Private
Grand Auto	Public	PACCAR
Hi-Lo Auto	Private	Private
Kragen Auto	Lucky Stores	Northern Automotive
Genuine Parts NAPA	Genuine Parts	Genuine Parts
Nationwise	Private	Private
Parts Inc. Owned	Private	GKN (England)
Pep Boys	Private	Public
Schuck's	Private	Northern Automotive
Super Shops	Private	Private
Trak	Did Not Exist	Dart Group
Western Auto	Beneficial Finance	Sears
Whitlock	Private	WSR Group

THE DISTRIBUTION SYSTEM ANNIVERSARY

shock/strut replacements. Those that did not move into service saw trouble ahead.

Service sales accounted for about 10-15% of dealer revenues in the 1970s, according to research done for the National Tire Dealers and Retreaders Association (NTDRA) by Louis Stern of Northwestern University in 1983. Today service accounts for some 25-30% of total sales. Another bonus, according to Joe DePaulis, past president of the NTDRA, and president of Johnny Antonelli Tire Co., Rochester, NY, is that tires carry a 27-30% margin while service work has a 55-60% margin.

The overall picture for the growth of specialized outlets for transmissions, mufflers, lubrication, and tune-ups has been excellent. A good example is the muffler repair shop. In 1970, gas stations were the leading muffler installers. Muffler shops were tied for third place with car dealers. By 1980 muffler shops were dramatically in the lead with a 33% market share, and gas stations had lost half of their market share. By 1986, muffler shops share had reached 47%. Car dealers had also lost half their share. This share of the market growth will continue.

Indeed, specialized retailers have continued to take an steadily increasing share of market in all their respective specialities. In addition to taking a wider share of market, specialty repair shops deprive the traditional channel of one more customer. While some specialty shops do some buying through local WDs and jobbers, the majority of their stock is supplied from national warehouses.

Gas Shortages

Still, it took the two gas shortages of 1973 and 1979 to end the complacency of traditional marketers. The two shortages closed well over 100,000 gas stations and repair shops and forced many car owners to change their car repair habits. In addition to depriving car owners of outlets, the high cost of energy and inflation forced car maintainers to closely examine how their repair dollar was spent. A good number of car owners became DIYers. These new DIYers would have been natural customers for jobbers. Many of them needed advice and succor. However, most jobbers continued to discourage DIY business.

In 1982, Alghanim Industries, a Kuwaiti owned conglomerate, prepared an interesting study of the automotive aftermarket. While WDs stock roughly 100,000 SKUs, the study found, popular parts which consist of about 20,000 SKUs, make up some 70% of all parts sales. Of popular parts sales, 40-45% went to DIYers. So not pursuing the DIY market aggressively means conceding almost half the popular part business.

Bob McKenna, president of NAPA, Atlanta, described the process succinctly in 1985: "We sort of let this happen. We sat around with our heads in the sand and allowed retailers to have the retail market. It's just like the car companies were to blame for letting us have the repair market years ago. If we'd acted ten years ago with the programs we have now in merchandising and advertising the retail chains would never have gotten a foot in the door. Now we have to go back and battle them for our share."

If the traditional market was slow to realize the strength of the DIY market, parts suppliers were not. The same loss of wholesale business that hurt the jobber in the 1970s, also hurt the parts supplier. Suppliers shopped for new business, and found the retail market eager and anxious to buy parts to sell to DIYers. Gradually, retail chains increased the parts they stocked until they were selling practically everything but heavy engine parts. Chains that sold 3-4,000 SKUs in 1970 were typically stocking 8-10,000 SKUs by 1980 and 15-16,000 SKUs by 1991.

The increase in SKUs put the retail chains in direct competition with jobbers. For example, Dan Sussen, owner of Sussen Inc., Cleveland, OH reported that his warehouse stocked 98,651 SKUs, but 8,410 SKUs accounted for 80% of sales. Thus retailers competed with jobbers for 80% of potential business.

So in the 1970s, traditional marketers were faced with a double edged sword: On one hand, declining wholesale business; and, on the other, a growing retail competitor. Throughout the 1980s, jobber stores went out of business on the average of one per day.

However, traditional jobbers could not compete using four step distribution. Way back, in our first issue, we noted that 70 to 75 cents of every dollar spent on automotive products went to pay the freight for four step distribution. As Fred Pisciotta, owner of president of Beacon Auto Parts, Jeannette, PA, and past president of APS, Houston, said in 1985: "A glaring weakness of the four step distribution channel is its inability to effectively compete on a price basis with the new forces in the aftermarket."

The chief economic results of the 1970s were runaway, double-digit inflation, a stagnant economy, and high interest rates. Between 1967 and 1980, the cost of living index more than tripled. Gasoline that cost about 30¢ a gallon in the 1960s sold for over a dollar by the 1980s. People

THE DISTRIBUTION SYSTEM ANNIVERSARY

drove less and spent less on their cars. All but the most necessary repairs were postponed if not eliminated. Following the second gas crisis in 1979, the country drooped in a recession that many compared to the depression of the Thirties.

The net result were price-conscious consumers who took one look at the prices in jobber stores and stayed away in droves. Also, as a result of new players in the market, and new methods of marketing the old services, the consumer can now pick and choose to an extent that was never possible 30 years ago. The aftermarket, like other retailing markets, is now consumer-driven.

Programmed Distribution

In order to compete in the new aftermarket, the traditional market switched to a more integrated distribution. The earliest steps were taken in programmed distribution groups. These groups largely appeared in the 1970s, although the two largest, NAPA and APS, date from 1925 and 1952 respectively. Programmed WDs offer jobbers a program of merchandising, marketing, and advertising assistance. The jobber buys the program. A programmed WD takes the product all the way through the channel from acquisition to merchandising. Perhaps most importantly, programmed distribution allows lower prices on popular parts and in some cases private labels to directly compete on a price basis with retailers.

By the early 1980s more than 10,000 jobbers were members of programmed distribution groups, and the latest count, group by group, puts almost 1,000 WDs and 25,000 jobbers in some kind of group.

One remaining weakness of programmed distribution lies in control of the program. About 25,000 jobbers belong to programs to some degree. But to what degree is a good question. Jobbers are fiercely independent. Most WDs are happy to get 60-70% of a jobber's purchases. But by that yardstick, the number of jobbers in programs would drop dramatically. And too, every single program has to be sold to each and every jobber. Too often jobbers use programs simply for cheaper buying and ignore promotions and ad campaigns. Joe Matlock of AAAD summed it up well: "We're like a paraplegic leading a band. We can't wave our arms, we can't march along. All we can do is yell as loud as we can."

So while programs can make participating jobbers more effective retailers and lower the price difference on fast movers, it requires that jobbers work closely with WDs and many independent jobbers resent WD controls. As a result, a growing number of WDs are going one step beyond programmed distribution and buying jobber stores. In addition to controlling the business, a WD selling direct can eliminate one step in the distribution process. In 1987, we counted 2,017 jobber stores owned by AWDA members and estimated the total number at about 3,500. Consultants Jack Creamer and Jay Bock now put the figure at 4,5,000. The majority of these stores are in metropolitan areas where competition is intense.

Distribution Impact

The impact of programmed distribution and WD-owned stores has been immense on distribution channels. For one thing, jobbers have become successful retailers: The average jobber now gets 36% of his sales from over the counter sales, four times what he did in *Automotive Marketing's* first year. Second and more subtly, slowly but surely the traditional WD/jobber/installer channel and the retail channel are beginning to resemble one another in the way they go to market. Go to a major market and examine the stores. New NAPA, Carquest, or Parts Plus stores look more like Pep Boys, AutoZone, or Western Auto stores than they look like traditional jobbing stores. Add to this the continuing consolidation of the market and you can see why we refer to the aftermarket as the "Merging Market".

The Future

The most recent additions to the aftermarket are twofold. On the retail side are the first warehouse stores which opened in California in 1990. These clubs sell 17,000 SKUs with no frills at a 10% markup, lower than even retail chains. On a more traditional note, specialized warehouses such as A & P in Memphis, TN, which grew from $5 million in 1980 to almost $450 million this year simply by stocking only a few thousand SKUs and selling to jobbers at substantial discounts.

And what of the future? Nothing is so uncertain in the future of the automotive aftermarket as the patterns of distribution. Any efforts at long range prognostication of either players or strategies run the risk of sounding very foolish ten years after.

For example, imagine the reaction of a WD in 1971 if you were to tell him that in 1991 parts for import cars would make up almost a quarter of aftermarket sales, the Western Auto retail chain would be more than a billion dollar operation, that Pep Boys, Northern Automotive and AutoZone (which didn't even exist in 1971) would not be far behind, and that E.J. Korvette, then the nation's largest discounter, would be out of business.

Furthermore, imagine his reaction if you suggested that WDs would own about 4-5,000 jobber stores, that more than 100,000 service stations would go out of business, and that DIY sales would become almost a third of jobber business?

PARTS SALES
(In billions of dollars)

Distribution channel	Estimated sales
Car dealers	$9.1
Garages	6.4
Chain stores	5.1
Gas stations	4.0
Mass merchandisers	3.6
Jobber/retailers	3.3
Service specialists	3.0
Tire dealers	1.0
Total parts sales	**$35.5**

Source: *Automotive Marketing*/Lindsey-Kaufman Co.

The WD would have told you you were crazy; yet all that happened since *Automotive Marketing* began to publish.

Here is the current aftermarket common wisdom summed up neatly: "The nature of the retail market is changing, and will continue to change. The increasing complexity of automotive systems and components will make many DIY procedures beyond the capability of the weekend mechanic. Further, the sophisticated diagnostic equipment and specialty tools required to work on future cars will be beyond the means of the DIYer. And, any expansion of factory warranty provisions will directly erode the DIY market. The DIY market is here to stay. But it will be a different and more limited sector of the aftermarket in years to come."

If that sounds good to you, we should emphasize that this prediction was made in 1977. Coming before 10 years of unprecedented growth in DIY sales by both the retail and traditional jobber store, this prediction leaves a bit to be desired.■